



# LEPHALALE MUNICIPALITY

LEPHALALE LOCAL MUNICIPALITY  
Financial statements  
for the year ended 30 June 2019

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## General Information

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### Nature of business and principal activities

Local Municipality

### The following is included in the scope of operation

Constitution of the Republic of South Africa Act 108 of 1996  
Provision of Water, Electricity, Waste Management, Waste Water  
Management and Public Works

### Mayoral committee

Executive Mayor

Councillors

Hon. MJ Maeko  
Cllr. KR Molokomme (Speaker)  
Cllr. SJ Thulare (Chief Whip)  
Cllr. WM Motlokwa ( Executive Comm)  
Cllr. ML Shongwe ( Executive Comm)  
Cllr. AE Basson ( Executive Comm)  
Cllr MM Semenya ( Executive Comm)  
Cllr. MJ Marakalala  
Cllr. NJ Motebele  
Cllr. LF Monare  
Cllr. LS Manamela  
Cllr. P molekwa  
Cllr. ME Maisela  
Cllr. MJ Selokela  
Cllr. SM Niewoudt  
Cllr. RT Modise  
Cllr. NH Pienaar  
Cllr. SL Seabi  
Cllr. KM Mogohloana  
Cllr. MM Makgae  
Cllr. MF Mashita  
Cllr. MR Modiba  
Cllr. RM Mabasa  
Cllr. MM Madibana  
Cllr SJ Moselane  
Cllr. Mbedzi

### Grading of local authority

Grade 3

MM Cocqyut

### Chief Finance Officer (CFO)

MJ Manaka

### Registered office

Corner Joe Slovo Street & Douwater Avenue  
Onverwacht  
Lephalale  
0557

### Business address

Corner Joe Slovo Street & Douwater Avenue  
Onverwacht  
Lephalale  
0557

### Postal address

Private Bag X136  
Onverwacht  
Lephalale

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## General Information

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	0557
<b>Bankers</b>	ABSA Bank
<b>Attorneys</b>	Mohale Attorneys
<b>Preparer</b>	The financial statements were internally compiled by: Sakkie Jooste, Maggie Ntwampe, Mabu Manaka, Amogelang Marope Budget and Treasury Management
<b>Published</b>	31 August 2019

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Index

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

	<b>Page</b>
'Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5
's Report	6
Statement of Financial Position	7
Statement of Financial Performance	8
Statement of Changes in Net Assets	9
Cash Flow Statement	10
Statement of Comparison of Budget and Actual Amounts	11
Appropriation Statement	12
Accounting Policies	13 - 44
Notes to the Financial Statements	45 - 72
Appendices:	
Appendix A: Schedule of External loans	74
Appendix B: Analysis of Property, Plant and Equipment	76

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GAAP	Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
FMG	Finace Management Grant
IAS	International Accounting Standards
CIGFARO	Chartered Institute of Government Finance, Audit & Risk Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSCOA	Municipal Standard Chart of Accounts
MSIG	Municipal Systems Improvement Grant

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## 'Accounting Officer's Responsibilities and Approval

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The accounting officers are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officers to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officers acknowledge that they are ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officers to meet these responsibilities, the sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officers are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officers have reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, they are satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the Government for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 6 to 73, which have been prepared on the going concern basis, were approved by the on 31 August 2019 and were signed on its behalf by:

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**Accounting Officer**

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Audit Committee Report

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We are pleased to present our report for the financial year ended 30 June 2019.

### Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 6 times per annum as per its approved terms of reference. During the current year 6 number of meetings were held.

<b>Name of member</b>	<b>Number of meetings attended</b>
Mphelo P (Chairperson)	6
Maake N	5
Maeyane K	4

### Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### The effectiveness of internal control

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

### Evaluation of financial statements

The audit committee has:

- reviewed and discussed the audited financial statements to be included in the annual report, with the Auditor-General and the ;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices;
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

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**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## 's Report

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The accounting officers submit their report for the year ended 30 June 2019.

### 1. Review of activities

#### Main business and operations

Net surplus of the municipality was 36 550 807 2019: surplus 25 745 461 - 2018: -.

### 2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officers are not aware of any matter or circumstance arising since the end of the financial year 30 June 2019.

### 4. Accounting policies

The financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

### 5. Corporate governance

#### General

The Council retains full control over the municipality, its plans and strategy. The council acknowledges its responsibility as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally by the municipality.

#### Remuneration

The remuneration of the Accounting Officer and Section 56 managers are determined by the Upper Limits for senior managers.

#### Audit and risk committee

For the current financial year the chairperson of the risk committee was Mr Mogakuludi Sebeelo. The committee met 6 times during the financial year to review matters necessary to fulfil its role.

Ms. Mphelo P was the chairperson of the audit committee for the financial year under review. The committee met 6 times during the year to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, , must appoint members of the Audit Committee. National Treasury policy requires that parent municipalities should appoint further members of the municipality's audit committees who are not directors of the municipal entity onto the audit committee.

#### Internal audit

The municipality has an independent internal audit unit. This is in compliance with the Municipal Finance Management Act, 2003.

### 6. Bankers

The municipality has its primary bank account with ABSA Bank Limited.

### 7. Auditors

Auditor General of South Africa will continue in office for the next financial period.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
Current Assets			
Inventories	9	1 350 462	1 111 155
Receivables from non-exchange transactions	10	54 936 630	51 341 708
Receivables from exchange transactions	11	135 529 957	115 833 635
Debt Arrangement	6	6 157 194	3 845 087
Sundry Deposit	7	11 542 976	11 542 976
Other Receivables from non-exchange transactions	8	11 770 997	11 825 578
Cash and cash equivalents	12	41 800 481	10 385 548
		<b>263 088 697</b>	<b>205 885 687</b>
Non-Current Assets			
Property, plant and equipment	3	1 462 343 516	1 508 266 225
Intangible assets	4	1 335 415	857 632
Heritage assets	5	77 000	77 000
Debt Arrangement	6	258 160	225 584
		<b>1 464 014 091</b>	<b>1 509 426 441</b>
<b>Total Assets</b>		<b>1 727 102 788</b>	<b>1 715 312 128</b>
<b>Liabilities</b>			
Current Liabilities			
Other financial liabilities	15	536 713	492 517
Finance lease obligation	13	-	7 015 683
Payables from exchange transactions	17	82 208 233	117 889 910
VAT payable	18	13 875 048	12 013 067
Consumer deposits	19	11 199 767	11 723 027
Unspent conditional grants and receipts	14	28 958 011	5 569 656
Provisions	16	3 497 316	20 704 666
		<b>140 275 088</b>	<b>175 408 526</b>
Non-Current Liabilities			
Other financial liabilities	15	1 974 883	2 522 618
Finance lease obligation	13	67 797 184	73 485 194
Provisions	16	78 735 366	84 990 922
		<b>148 507 433</b>	<b>160 998 734</b>
<b>Total Liabilities</b>		<b>288 782 521</b>	<b>336 407 260</b>
<b>Net Assets</b>		<b>1 438 320 267</b>	<b>1 378 904 868</b>
Accumulated surplus		1 438 320 263	1 378 904 870

\* See Note 44 & 43



# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	21	257 277 437	240 931 939
Rental of facilities and equipment	22	203 972	216 508
Interest Earned - Outstanding Receivables		23 542 685	22 442 917
Licences and permits		8 397 034	7 632 877
Building fees		605 597	486 368
Other income		3 364 068	2 356 698
Interest Earned - External investments	24	1 993 102	1 245 305
<b>Total revenue from exchange transactions</b>		<b>295 383 895</b>	<b>275 312 612</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	58 780 223	51 789 788
<b>Transfer revenue</b>			
Government Grants and Subsidies	27	202 317 778	230 079 374
Public contributions and donations	28	462 375	1 606 362
Fines		676 951	814 341
<b>Total revenue from non-exchange transactions</b>		<b>262 237 327</b>	<b>284 289 865</b>
<b>Total revenue</b>	20	<b>557 621 222</b>	<b>559 602 477</b>
<b>Expenditure</b>			
Employee related costs	29	(179 786 563)	(168 443 979)
Remuneration of councillors	30	(10 541 135)	(9 831 852)
Depreciation and amortisation	31	(83 572 006)	(76 769 223)
Impairment loss	32	(5 395 543)	(295 740)
Finance costs	33	(17 028 115)	(17 408 397)
Debt Impairment	34	(10 543 057)	(6 521 161)
Collection costs		(2 436 736)	-
Repairs and maintenance		(22 589 440)	(22 639 504)
Bulk purchases	35	(112 370 585)	(125 308 443)
Contracted services	36	(20 881 472)	(19 084 464)
Transfers and Subsidies	26	(398 192)	(600 000)
General Expenses	37	(42 006 286)	(74 222 125)
<b>Total expenditure</b>		<b>(507 549 130)</b>	<b>(521 124 888)</b>
<b>Operating surplus</b>		<b>50 072 092</b>	<b>38 477 589</b>
Donation of Asset Received		-	155 000
Transfer of Electricity Infrastructure Asset to Eskom		(13 521 285)	(12 887 128)
		<b>(13 521 285)</b>	<b>(12 732 128)</b>
<b>Surplus for the year</b>		<b>36 550 807</b>	<b>25 745 461</b>

\* See Note 44 & 43

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	1 369 868 108	1 369 868 108
Adjustments		
Correction of errors	(16 708 699)	(16 708 699)
<b>Balance at 01 July 2017 as restated*</b>	<b>1 353 159 409</b>	<b>1 353 159 409</b>
Changes in net assets		
Surplus for the year	25 745 461	25 745 461
Total changes	25 745 461	25 745 461
<b>Restated* Balance at 01 July 2018</b>	<b>1 401 769 456</b>	<b>1 401 769 456</b>
Changes in net assets		
Surplus for the year	36 550 807	36 550 807
Total changes	36 550 807	36 550 807
<b>Balance at 30 June 2019</b>	<b>1 438 320 263</b>	<b>1 438 320 263</b>
Note(s)		

\* See Note 44 & 43

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property Rates		59 974 130	42 608 317
Sale of goods and services		269 373 225	242 250 367
Grants		225 706 133	213 568 902
Interest income		1 993 102	1 245 305
Other receipts		605 597	2 356 698
		557 652 187	502 029 589
<b>Payments</b>			
Employee costs		(213 905 445)	(173 190 769)
Suppliers		(235 997 187)	(185 980 594)
Finance costs		(17 028 115)	(11 427 539)
Other payments		(283 351)	15 745 906
		(467 214 098)	(354 852 996)
<b>Net cash flows from operating activities</b>	39	<b>90 438 089</b>	<b>147 176 593</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	3	(45 179 686)	(123 150 979)
Purchase of Intangible assets	4	-	(537 859)
<b>Net cash flows from investing activities</b>		<b>(45 179 686)</b>	<b>(123 688 838)</b>
<b>Cash flows from financing activities</b>			
Repayment of other financial liabilities		(503 539)	(461 602)
Finance lease payments		(13 339 931)	(13 774 949)
<b>Net cash flows from financing activities</b>		<b>(13 843 470)</b>	<b>(14 236 551)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>31 414 933</b>	<b>9 251 204</b>
Cash and cash equivalents at the beginning of the year		10 385 548	1 134 344
<b>Cash and cash equivalents at the end of the year</b>	12	<b>41 800 481</b>	<b>10 385 548</b>

\* See Note 44 & 43

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	255 053 000	200 000	<b>255 253 000</b>	257 277 437	<b>2 024 437</b>	A1
Rental of facilities and equipment	277 000	-	<b>277 000</b>	203 972	<b>(73 028)</b>	A2
Interest received (trading)	26 464 000	-	<b>26 464 000</b>	23 542 685	<b>(2 921 315)</b>	A3
Licences and permits	9 225 000	-	<b>9 225 000</b>	8 397 034	<b>(827 966)</b>	A4
Building Fees	595 753	-	<b>595 753</b>	605 597	<b>9 844</b>	A5
Other income	13 806 000	16 929 000	<b>30 735 000</b>	3 364 068	<b>(27 370 932)</b>	A6
Interest received - investment	1 425 000	-	<b>1 425 000</b>	1 993 102	<b>568 102</b>	A7
<b>Total revenue from exchange transactions</b>	<b>306 845 753</b>	<b>17 129 000</b>	<b>323 974 753</b>	<b>295 383 895</b>	<b>(28 590 858)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	56 716 000	(2 894 000)	<b>53 822 000</b>	58 780 223	<b>4 958 223</b>	A8
<b>Transfer revenue</b>						
Government grants & subsidies	187 053 000	30 549 000	<b>217 602 000</b>	202 317 778	<b>(15 284 222)</b>	A9
Public contributions and donations	499 574	29 008	<b>528 582</b>	462 375	<b>(66 207)</b>	A10
Fines, Penalties and Forfeits	427 000	-	<b>427 000</b>	676 951	<b>249 951</b>	A11
<b>Total revenue from non-exchange transactions</b>	<b>244 695 574</b>	<b>27 684 008</b>	<b>272 379 582</b>	<b>262 237 327</b>	<b>(10 142 255)</b>	
<b>Total revenue</b>	<b>551 541 327</b>	<b>44 813 008</b>	<b>596 354 335</b>	<b>557 621 222</b>	<b>(38 733 113)</b>	
<b>Expenditure</b>						
Personnel	(186 963 000)	2 913 000	<b>(184 050 000)</b>	(179 786 563)	<b>4 263 437</b>	A12
Remuneration of councillors	(10 325 000)	-	<b>(10 325 000)</b>	(10 541 135)	<b>(216 135)</b>	
Depreciation and amortisation	(81 162 000)	-	<b>(81 162 000)</b>	(83 572 006)	<b>(2 410 006)</b>	A13
Impairment loss/ Reversal of impairments	-	-	-	(5 395 543)	<b>(5 395 543)</b>	
Finance costs	(17 708 000)	-	<b>(17 708 000)</b>	(17 028 115)	<b>679 885</b>	A14
Debt Impairment	(1 500 000)	(6 000 000)	<b>(7 500 000)</b>	(10 543 057)	<b>(3 043 057)</b>	A15
Collection costs	(3 000 000)	-	<b>(3 000 000)</b>	(2 436 736)	<b>563 264</b>	A16
Repairs and maintenance	(19 821 962)	(500 000)	<b>(20 321 962)</b>	(22 589 440)	<b>(2 267 478)</b>	A17
Bulk purchases	(150 814 000)	-	<b>(150 814 000)</b>	(112 370 585)	<b>38 443 415</b>	A18
Contracted Services	(14 318 000)	(4 000 000)	<b>(18 318 000)</b>	(20 881 472)	<b>(2 563 472)</b>	A19
Transfers and Subsidies	(800 000)	-	<b>(800 000)</b>	(398 192)	<b>401 808</b>	A20
General Expenses	(51 518 000)	(1 991 000)	<b>(53 509 000)</b>	(42 006 286)	<b>11 502 714</b>	A21
<b>Total expenditure</b>	<b>(537 929 962)</b>	<b>(9 578 000)</b>	<b>(547 507 962)</b>	<b>(507 549 130)</b>	<b>39 958 832</b>	
<b>Surplus before taxation</b>	<b>13 611 365</b>	<b>35 235 008</b>	<b>48 846 373</b>	<b>50 072 092</b>	<b>1 225 719</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>13 611 365</b>	<b>35 235 008</b>	<b>48 846 373</b>	<b>50 072 092</b>	<b>1 225 719</b>	

# **LEPHALALE LOCAL MUNICIPALITY**

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

##### Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the Municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Available-for-sale financial assets

The municipality follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the municipality evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the municipality would suffer an additional surplus of - in its 2019 financial statements, being a reclassification adjustment of the fair value adjustments previously recognised in other comprehensive income and accumulated in equity on the impaired available-for-sale financial assets to surplus or deficit.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

The carrying amount of available-for-sale financial assets would be an estimated - lower or - higher were the discounted rate used in the discount cash flow analysis to differs by 10% from management's estimates.

#### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates inflation interest.

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

#### Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.3 Significant judgements and sources of estimation uncertainty (continued)

#### Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### Initial Recognition Measurement

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.



# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

#### Subsequent Measurement

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, unless a specific decision has been taken to revalue a certain class of assets and in such instance the PPE will be valued using the revaluation model.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for X,X and X which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. When an item of PPE is revalued, the entire class of property to which that asset belongs should be revalued

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

#### Depreciation

Property, plant and equipment are depreciated over their expected useful lives to their estimated residual value

The useful lives of items of property, plant and equipment have been assessed as follows:

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Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	25-30
• Mobile Homes		05-10
• Caravans		05-10
• Residence		25-30
Furniture and fixtures	Straight line	05-08
Motor vehicles	Straight line	05-08
Office equipment	Straight line	03-05

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# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

Computer software	Straight line	05-08
Other Buildings	Straight line	
• Library		25-30
Community	Straight line	
• Building		25-30
• Recreational Facility		25-30
• Halls		25-30
Other property, plant and equipment	Straight line	10-15
Park facilities	Straight line	25-30
Vehicles	Straight line	
• Specialised		10-15
Plant and Equipment	Straight line	
• Specialised		10-15
Landfill site	Straight line	
• Building		30-50
• Weighbridge		15-40
• Site		10-25
Roads	Straight line	
• Kerb and Channels		40-50
• Municipal Roads - Asphalt		10-20
• Gravel surface		03-10
Wastewater network	Straight line	
• Pumpstation		30-55
Water network	Straight line	
• Pumpstations		30-50
• Reservoirs		30-30
• Supply/Reticulation		20-50
Electricity	Straight line	
• Lines - Underground		25-45
• Lines - Overhead		20-30
• Substations - Switchgear		20-30
Pedestrian Footpaths	Straight line	
• Footpaths		15-30
• Street Lighting		25-40
• Traffic Lights		15-20

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 3 ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 3 ).

#### Site and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property plant and equipment includes:

The initial estimates of the cost dismantling and removing the item and restoring the site on which it is located:

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from change in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in discount rate; and

The obligation the municipality incurs for having used the items during a particular period for purpose.

### 1.5 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

#### Initial Recognition and Measurement

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.5 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

#### Amortisation and Impairment

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

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Item	Depreciation method	Average useful life
Computer software and other	Straight line	5-8

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The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 4 ).

### 1.6 Heritage assets

Assets are resources controlled by a municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.6 Heritage assets (continued)

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

### 1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Financial instruments (continued)

- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Financial instruments (continued)

- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Class	Category
Loan1	Financial asset measured at amortised cost
Loan2	Financial asset measured at amortised cost
Loan3	Financial asset measured at amortised cost
Other receivables1	Financial asset measured at amortised cost
Other receivables2	Financial asset measured at amortised cost
Other financial asset1	Financial asset measured at fair value
Other financial asset2	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loan1	Financial liability measured at amortised cost
Loan2	Financial liability measured at amortised cost
Loan3	Financial liability measured at amortised cost
Other receivables1	Financial liability measured at amortised cost
Other receivables2	Financial liability measured at amortised cost
Other financial liability1	Financial liability measured at fair value
Other financial liability2	Financial liability measured at fair value

The entity has the following types of residual interests (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Residual interest1	Measured at fair value
Residual interest2	Measured at cost

#### Initial recognition

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.



# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.7 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method..

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

#### Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits. These are initially and subsequently recorded at fair value.

#### Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

#### Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity..

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.8 Value Added Tax

#### Value Added Tax

The Municipality accounts for VAT on a payment basis as per Sec 15 of the VAT Act. Even though the Municipality has registered for VAT on payment basis to SARS, the annual financial statements have been prepared on an accrual basis of accounting and as a result VAT is accounted for on accrual basis in the annual financial statements.

### 1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease (prime interest rate where the lease is not specific).

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

### 1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.11 Impairment of cash-generating assets

Cash-generating assets are those assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.11 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.12 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- The entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from the entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.



# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by the entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.13 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, the entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.13 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 41.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.14 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.11 and 1.12.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.15 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.16 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.



# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.16 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

#### Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.17 Revenue from non-exchange transactions (continued)

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

### 1.18 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the municipality, and the costs can be measured reliably. The municipality applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the municipality. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.10, 1.11 and 1.12. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year. When the presentation or classification of items in AFS is amended are also reclassified and restated, unless such reclassification or restatement is not required by GRAP standards. The nature and reason for such reclassification and restatement are also disclosed. The presentation and classification of items in the current year is consistent with prior periods

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.22 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.23 Irregular expenditure

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.24 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018-07-01 to 2019-06-30.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

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### 1.24 Budget information (continued)

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.25 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.26 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

#### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

#### 2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

#### 2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods but are not relevant to its operations:

### 3. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	70 972 003	-	70 972 003	70 972 003	-	70 972 003
Buildings	25 962 432	(13 819 071)	12 143 361	25 962 432	(14 067 281)	11 895 151
Infrastructure	1 775 051 726	(675 317 805)	1 099 733 921	1 703 722 550	(595 702 282)	1 108 020 268
Community	114 176 255	(21 892 425)	92 283 830	114 176 255	(17 940 712)	96 235 543
Other property, plant and equipment	81 187 767	(48 055 899)	33 131 868	80 953 633	(47 929 446)	33 024 187
Work in progress	128 043 748	-	128 043 748	161 121 385	-	161 121 385
Other leased Assets - Smart Meters	32 455 808	(6 421 023)	26 034 785	32 126 774	(5 129 086)	26 997 688
<b>Total</b>	<b>2 227 849 739</b>	<b>(765 506 223)</b>	<b>1 462 343 516</b>	<b>2 189 035 032</b>	<b>(680 768 807)</b>	<b>1 508 266 225</b>

#### Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	70 972 003	-	-	-	-	-	70 972 003
Buildings	11 895 151	-	-	(591 781)	(222 100)	1 062 091	12 143 361
Infrastructure	1 108 020 268	-	71 329 176	1 544 477	(74 356 116)	(6 803 884)	1 099 733 921
Community	96 235 543	-	-	(14 829)	(3 936 884)	-	92 283 830
Other property, plant and equipment	33 024 187	227 804	-	5 920 915	(4 184 741)	(1 856 297)	33 131 868
Work in Progress	161 121 385	38 251 540	-	(71 329 177)	-	-	128 043 748
Other Finance leased (smart metres)	26 997 688	329 034	-	-	(1 291 937)	-	26 034 785
	<b>1 508 266 225</b>	<b>38 808 378</b>	<b>71 329 176</b>	<b>(64 470 395)</b>	<b>(83 991 778)</b>	<b>(7 598 090)</b>	<b>1 462 343 516</b>

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 3. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Transfers received	Transfers	Depreciation	Impairment loss	Total
Land	70 673 158	298 845	-	-	-	-	70 972 00
Buildings	11 882 845	-	690 924	-	(678 618)	-	11 895 15
Infrastructure	1 144 994 812	-	30 205 125	-	(66 887 681)	(291 988) 1	1 08 020 26
Community	52 428 500	17 099 548	29 636 613	-	(2 929 028)	(90)	96 235 54
Other property, plant and equipment	35 030 155	1 316 565	714 135	-	(4 033 006)	(3 662)	33 024 18
Work in progress	124 960 414	110 141 738	-	(73 980 767)	-	-	161 121 38
Other leased Assets - Smart Meters	28 219 392	62 472	-	-	(1 284 176)	-	26 997 68
	<b>1 468 189 276</b>	<b>128 919 168</b>	<b>61 246 797</b>	<b>(73 980 767)</b>	<b>(75 812 509)</b>	<b>(295 740) 1</b>	<b>1 508 266 22</b>

### 4. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2 262 760	(927 345)	1 335 415	1 562 877	(705 245)	857 632

#### Reconciliation of intangible assets - 2019

	Opening balance	Additions	Amortisation	Total
Computer Software	857 632	699 883	(222 100)	1 335 415

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Amortisation	Total
Computer Software	498 413	537 859	(178 640)	857 632

#### Other information

The intangible assets additions was funded by municipalities own funding.

### 5. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral Chain	77 000	-	77 000	77 000	-	77 000

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 6. Debt Arrangement

Payment arrangements entered between consumers and the Municipality in which consumers undertake to settle their outstanding debts over specific period as per the Credit Control and Debt Collection policy.

Debt Arrangement	6 415 354	4 070 671
Short - Term Portion	(6 157 194)	(3 845 087)
<b>Long-term Portion</b>	<b>258 160</b>	<b>225 584</b>

### 7. Sundry Deposit

Deposit Paid to Eskom	11 542 976	11 542 976
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Deposits paid to Eskom for the main account.

### 8. Other Receivables From non-exchange transactions

Traffic Fines	3 348 840	2 897 491
Other Receivables	10 464 949	10 579 657
Less: Impairment - Traffic Fines	(2 042 792)	(1 651 570)
	<b>11 770 997</b>	<b>11 825 578</b>

### 9. Inventories

Consumable stores	386 462	335 891
Maintenance materials	600 712	408 226
Spare parts	329 056	329 056
Water	34 232	37 982
	<b>1 350 462</b>	<b>1 111 155</b>

### 10. Receivables from non-exchange transactions

Gross balance	74 192 754	57 987 059
Less: Allowance for Impairment	(22 851 046)	(18 537 265)
	<b>51 341 708</b>	<b>39 449 794</b>

#### Receivables from non-exchange transactions - Age analysis

##### Rates

Current (0 -30 Days)	15 638 072	11 519 057
31 - 60 Days	4 516 394	3 326 791
61 - 90 Days	2 627 608	1 935 505
91 - 120 Days	2 342 119	1 725 213
121 - 365 Days	9 529 219	7 019 255
> 365 Days	41 850 432	30 827 171
	<b>76 503 844</b>	<b>56 352 992</b>

#### Summary of debtors by Customer Classification



# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>10. Receivables from non-exchange transactions (continued)</b>		
<b>Consumers</b>		
Current (0 - 30 Days)	8 400 870	14 239 162
31 - 60 Days	1 829 898	3 101 610
61-90 Days	1 177 014	1 994 994
91- 120 Days	1 153 586	1 955 285
121 - 365 Days	4 128 320	6 997 349
> 365 Days	11 020 951	18 680 102
Less Allowance for Impairment	(12 909 100)	(15 642 489)
	<b>14 801 539</b>	<b>31 326 013</b>
<b>Industrial/Commercial/Agricultural</b>		
Current (0 - 30 Days)	4 591 357	3 052 239
31 - 60 Days	1 887 484	1 254 760
61-90 Days	1 705 484	1 133 771
91- 120 Days	1 410 826	937 888
121 - 365 Days	5 197 532	3 455 212
> 365 Days	32 477 907	21 590 641
Less Allowance for Impairment	(16 566 937)	(7 208 557)
	<b>30 703 653</b>	<b>24 215 954</b>
<b>National and Provincial Departments</b>		
Current (0 -30 Days)	286 991	152 867
31 - 60 Days	126 888	67 587
61 - 90 Days	90 718	48 321
91 - 120 Days	89 738	47 799
121 - 365 Days	422 151	224 860
> 365 Days	506 132	269 593
	<b>1 522 618</b>	<b>811 027</b>
<b>11. Receivables from exchange transactions</b>		
<b>Gross balances</b>		
Electricity	59 864 066	60 323 393
Water	64 696 006	53 224 531
Sewerage	35 952 246	30 990 951
Refuse	36 941 198	29 663 076
	<b>197 453 516</b>	<b>174 201 951</b>
<b>Less: Allowance for impairment</b>		
Electricity	(16 156 069)	(30 384 003)
Water	(22 674 014)	(14 405 211)
Sewerage	(8 164 899)	(7 826 967)
Refuse	(14 928 577)	(5 752 135)
	<b>(61 923 559)</b>	<b>(58 368 316)</b>
<b>Net balance</b>		
Electricity	43 707 997	29 939 390
Water	42 021 992	38 819 320
Sewerage	27 787 347	23 163 984
Refuse	22 012 621	23 910 941
	<b>135 529 957</b>	<b>115 833 635</b>

### Consumer debtors from exchange transactions - Age analysis

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Electricity</b>		
Current (0 -30 days)	14 174 765	9 259 081
31 - 60 days	7 084 738	4 961 007
61 - 90 days	4 931 851	3 453 473
91 - 120 days	3 902 367	2 732 588
121 - 365 days	9 839 003	6 889 649
> 365 days	3 775 273	2 643 592
	<b>43 707 997</b>	<b>29 939 390</b>
<b>Water</b>		
Current (0 -30 days)	9 029 953	8 341 743
31 - 60 days	3 704 272	3 421 954
61 - 90 days	2 494 430	2 304 319
91 - 120 days	1 673 636	1 546 081
121 - 365 days	10 014 074	9 250 860
> 365 days	15 105 627	13 954 363
	<b>42 021 992</b>	<b>38 819 320</b>
<b>Sewerage</b>		
Current (0 -30 days)	3 367 756	2 807 416
31 - 60 days	1 937 843	1 615 417
61 - 90 days	1 748 819	1 457 844
91 - 120 days	1 609 271	1 341 515
121 - 365 days	3 955 310	3 297 211
> 365 days	15 168 348	12 644 581
	<b>27 787 347</b>	<b>23 163 984</b>
<b>Refuse</b>		
Current (0 -30 days)	9 600 377	10 428 292
31 - 60 days	1 213 131	1 317 749
61 - 90 days	1 614 753	1 754 006
91 - 120 days	1 499 616	1 628 940
121 - 365 days	2 021 665	2 196 009
> 365 days	6 063 079	6 585 945
	<b>22 012 621</b>	<b>23 910 941</b>

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	25 206 217	21 720 499
31 - 60 days	12 585 590	10 845 154
61 - 90 days	8 611 626	7 420 741
91 - 120 days	12 696 369	10 940 613
121 - 365 days	26 444 590	22 787 620
> 365 days	57 366 665	49 433 542
	142 911 057	123 148 169
Less: Allowance for impairment	(55 098 151)	(45 008 248)
	<b>87 812 906</b>	<b>78 139 921</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	7 003 307	6 916 047
31 - 60 days	3 593 709	3 548 932
61 - 90 days	2 848 589	2 813 096
91 - 120 days	2 487 676	2 456 679
121 - 365 days	6 733 053	6 649 160
> 365 days	36 647 623	36 190 998
	59 313 957	58 574 912
Less: Allowance for impairment	(6 825 408)	(13 387 722)
	<b>52 488 549</b>	<b>45 187 190</b>
<b>National and provincial government</b>		
Current (0 -30 days)	1 501 504	1 032 356
31 - 60 days	149 830	103 015
61 - 90 days	134 607	92 549
91 - 120 days	119 430	82 114
121 - 365 days	1 018 916	700 554
> 365 days	1 122 310	771 642
	<b>4 046 597</b>	<b>2 782 230</b>
<b>Total</b>		
Current (0 -30 days)	33 343 588	29 421 812
31 - 60 days	15 070 677	13 298 107
61 - 90 days	10 734 947	9 472 334
91 - 120 days	14 012 717	12 364 581
121 - 365 days	31 329 713	27 644 803
> 365 days	92 961 874	82 027 968
	197 453 516	174 229 605
Less: Allowance for impairment	(61 923 559)	(58 395 970)
	<b>135 529 957</b>	<b>115 833 635</b>
<b>Less: Allowance for impairment</b>		
31 - 60 days	(3 259 494)	(3 072 355)
61 - 90 days	(3 408 023)	(3 212 357)
91 - 120 days	(2 561 715)	(2 414 638)
121 - 365 days	(1 278 646)	(1 205 235)
> 365 days	(51 415 681)	(48 463 731)
	<b>(61 923 559)</b>	<b>(58 368 316)</b>

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>11. Receivables from exchange transactions (continued)</b>		
<b>Total debtor past due but not impaired</b>		
31 - 60 days	11 254 968	13 392 793
61 - 90 days	8 175 101	9 727 921
91 - 120 days	10 791 789	12 841 636
121 - 365 days	15 520 454	18 468 487
> 365 days	45 943 266	54 669 961
	<b>91 685 578</b>	<b>109 100 798</b>

<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	(58 368 316)	(56 316 244)
Contributions to allowance	(3 555 243)	(2 052 072)
	<b>(61 923 559)</b>	<b>(58 368 316)</b>

## 12. Cash and cash equivalents

The municipality is banking with ABSA Bank. Cash and cash equivalents consist of:

Cash on hand	17 000	17 000
Bank balances	2 451 370	426 893
Short-term deposits	39 332 111	9 941 655
	<b>41 800 481</b>	<b>10 385 548</b>

### Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or historical information about counterparty default rates:

<b>Credit rating</b>		
Investments	39 332 111	9 941 655
Cash and Cash Equivalent	3 388 664	4 423 380
	<b>42 720 775</b>	<b>14 365 035</b>

### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Current Account - 1470000038	3 388 664	4 423 380	4 938 743	2 451 370	443 893	(5 226 204)
Call Account - 4072894439	33 031 711	3 641 255	27 939	33 031 711	3 641 255	27 939
Call Account 9296917939	-	-	15 209	-	-	15 209
Fixed Deposit 2069158294	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400	6 300 400
<b>Total</b>	<b>42 720 775</b>	<b>14 365 035</b>	<b>11 282 291</b>	<b>41 783 481</b>	<b>10 385 548</b>	<b>1 117 344</b>

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>13. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	14 910 084	16 633 651
- in second to fifth year inclusive	59 640 336	59 945 568
- later than five years	43 487 745	58 386 607
	118 038 165	134 965 826
less: future finance charges	(44 552 972)	(54 464 948)
<b>Present value of minimum lease payments</b>	<b>73 485 193</b>	<b>80 500 878</b>
<b>Present value of minimum lease payments due</b>		
- within one year	5 688 010	6 721 675
- in second to fifth year inclusive	31 763 934	28 205 284
- later than five years	36 033 249	45 573 919
	<b>73 485 193</b>	<b>80 500 878</b>
Non-current liabilities	67 797 184	73 485 194
Current liabilities	-	7 015 683
	<b>67 797 184</b>	<b>80 500 877</b>

Finance lease payments represents capital redemption payable by the Municipality for Zeeland water treatment works and installation of smart meters. The Municipality entered into a contract with Exxaro for the construction of the water treatment plant on finance lease basis which is repayable over 15 years at a fixed interest rate of 13%. The contract for installation of smart meters entered between the Municipality and SPASA (Pty) Ltd is for a period of 5 years.

## 14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

<b>Unspent conditional grants and receipts</b>		
EXXARO	657 896	657 896
Municipal Infrastructure Grant	6 445 479	-
Department of water and sanitation	20 898 788	4 128 934
Department of local government and housing	236 777	782 826
Electrification Grants	719 071	-
	<b>28 958 011</b>	<b>5 569 656</b>

## Movement during the year

Balance at the beginning of the year	5 569 656	22 080 128
Additions during the year	95 180 112	123 627 000
Income recognition during the year	(71 791 757)	(140 137 472)
	<b>28 958 011</b>	<b>5 569 656</b>

See note for reconciliation of grants from National/Provincial Government.

## 15. Other Financial Liabilities

<b>At amortised cost</b>		
DBSA Loan	2 511 596	3 015 135

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>15. Other Financial Liabilities (continued)</b>		
DBSA at amortised cost. The interest rate of 8.83% and quartely repayment. Settlement date 31 March 2023		
<b>Non-current liabilities</b>		
At amortised cost	1 974 883	2 522 618
<b>Current liabilities</b>		
At amortised cost	536 713	492 517

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>16. Provisions</b>		
Non-current liabilities	78 735 366	84 990 922
Current liabilities	3 497 316	20 704 666
	<b>82 232 682</b>	<b>105 695 588</b>

### Defined benefits plan

Liability as at 1 July	55 237 766	52 395 450
Benefits Paid	(1 670 105)	(1 515 172)
Current services Cost	3 293 833	3 159 370
Interest	5 342 347	5 132 804
Actual losses recognised in statement of financial performance	(6 897 043)	(3 934 686)
	<b>55 306 798</b>	<b>55 237 766</b>

### Retirement benefit information

Liability as at 1 July	10 932 203	9 819 862
Benefits Paid	(950 182)	(560 902)
Current services Cost	1 019 954	968 830
Interest	944 277	848 054
Actual gain/ (losses) recognised in statement of financial performance	235 194	(143 641)
	<b>12 181 446</b>	<b>10 932 203</b>

The employees have the option to belong to a Medical Aid. The Municipality has taken a decision to contribute to medical aid of employees after retirement until their death. Non - medical - Employees retiring will receive R1307.00 a month as contribution to their health.

Principal actuarial assumptions of valuation model used	2019	2018
Discount rate	10.53%	9.94 %
Health care cost inflation rate	7.84%	8.81%

### Environmental rehabilitation provision

Non - Current liability	18 181 429	21 441 240
Current liability	601 039	807 634
	<b>18 782 468</b>	<b>22 248 874</b>

The Municipality acquired the landfill site from Exxaro in the current year. The landfill site was registered in the name of the Municipality on 03 November 2017 and is located on the farm, Groothoek 504 portion 1 . The Groothoek Landfill Site is a permitted facility in terms of Section 20 of the Environmental Conservation Act 73 of 1989. The expected life span of the site is a further 35 years.

#### Assumptions used:

Accounting Standard GRAP19 defines the determination of the investment return assumption to be used as the rate that can be determined by reference to market yields (at the balance sheet date) on government bonds. The currency and term of the government bonds should be consistent with the currency and estimated term/life of the landfill site. The discount rate was deduced from the average of the Zero-Coupon Yield Curve (Nominal Bond) over the entire durations applicable in the future. The annualised long term discount rate at 27 June 2019 this was 9.64% p.a The consumer price inflation of 6.21% p.a was obtained from the differential between the averages of the Nominal Bond of 9.27% p.a. and the Real Bond 3.23% p.a. (Zero Yield Curves).

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 16. Provisions (continued)

The Zero-Coupon Yield Curves were obtained from the Bond Exchange of South Africa after the market closed on 27 June 2019.

Key Financial Assumptions Used

Principal actuarial assumptions of valuation model used	2019	2018
Discount rate	9.64%	9.90 %
Consumer price inflation rate	6.21%	6.05%
Net discount rate	3.23%	3.63%

### 17. Payables from exchange transactions

Trade Creditors	26 090 246	59 994 774
Payments received in advanced	17 846 868	18 082 159
Retentions	20 170 784	21 348 876
Accrued leave	12 101 882	12 238 993
Accrued bonus	3 840 412	3 740 617
Other payables	2 158 041	2 484 491
	<b>82 208 233</b>	<b>117 889 910</b>

The fair value of trade and other payables approximates their carrying amounts.

Annual bonuses are paid one year in arrear as the employee complete a full year service. Annual bonuses accrue on monthly basis as the employee continues in employment.

The provision for the bonus is calculated using the basic salary of the employee as at year end and the number of months the bonus accrued since last bonus payment or from employment date for new employee.

### 18. VAT Payable

VAT Payable	13 875 048	12 013 067
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VAT is payable on the cash basis. VAT is paid over to SARS only once payment is received from debtors.

### 19. Consumer deposits

Water and Electricity	9 384 639	9 964 519
Other deposits	1 815 128	1 758 508
	<b>11 199 767</b>	<b>11 723 027</b>

### 20. Revenue

Service charges	257 277 437	240 931 939
Rental of facilities and equipment	203 972	216 508
Interest Earned - Outstanding Debtors	23 542 685	22 442 917
Licences and permits	8 397 034	7 632 877
Building Fees	605 597	486 368
Other Income	3 364 068	2 356 698
Interest Earned - External Investment	1 993 102	1 245 305
Property Rates	58 780 223	51 789 788
Government Grants & Subsidies	202 317 778	230 079 374
Public Contributions and Donations	462 375	1 606 362
Fines, Penalties and Forfeits	676 951	814 341
	<b>557 621 222</b>	<b>559 602 477</b>



# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 20. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	257 277 437	240 931 939
Rental of facilities and equipment	203 972	216 508
Interest Earned - Outstanding Debtors	23 542 685	22 442 917
Licences and permits	8 397 034	7 632 877
Building Fees	605 597	486 368
Other income	3 364 068	2 356 698
Interest Earned - External Investment	1 993 102	1 245 305
	<b>295 383 895</b>	<b>275 312 612</b>

The amount included in revenue arising from non-exchange transactions is as follows:

#### Taxation revenue

Property rates	58 780 223	51 789 788
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#### Transfer revenue

Government grants & subsidies	202 317 778	230 079 374
Public contributions and donations	462 375	1 606 362
Fines, Penalties and Forfeits	676 951	814 341

**262 237 327 284 289 865**

### 21. Service charges

Sale of electricity	179 083 073	170 068 953
Sale of water	45 442 955	39 517 331
Sewerage and sanitation charges	18 693 708	17 576 733
Refuse removal	14 057 701	13 768 922
	<b>257 277 437</b>	<b>240 931 939</b>

### 22. Rental of facilities and equipment

#### Facilities and equipment

Rental of facilities and equipments	216 518	190 609
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### 23. Other revenue

Building Fees	605 597	486 368
Other income	3 364 068	2 356 698
	<b>3 969 665</b>	<b>2 843 066</b>

### 24. Investment revenue

#### Interest revenue

Bank	1 993 102	1 245 305
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# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 25. Property rates

#### Rates

Property rates	58 780 223	51 789 788
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#### Valuations

Residential	4 231 674 000	4 186 599 000
Commercial	1 182 455 000	1 087 555 000
State	39 230 000	39 210 000
Municipal	539 064 000	548 464 000
Agricultural	8 907 850 000	9 086 948 000
Sectional Title	994 411 000	990 831 000
Exempted	443 136 000	393 775 000
Other	16 150 000	17 450 000
	<b>6 353 970 000</b>	<b>6 350 832 000</b>

Valuations on land and buildings are performed every five years. The last general valuation came into effect on 1 July 2013. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations and subdivisions. The previous valuation roll was extended by the MEC as per MPRA for one year.

A different rate is applied to property valuations to determine assessment rates. Rebates of R 30 000 is granted to each residential property owners.

Rates are levied on an annual basis with the final date for payment being 30 June of each financial year. Interest at 18% per annum is levied on annual rates one month after the due date for payment.

### 26. Grants and subsidies paid

#### Other subsidies

Grants and subsidies paid	398 192	600 000
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# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 27. Government grants and subsidies

#### Operating grants

Equitable share	130 526 026	109 247 921
Municipal Infrastructure Grant	44 354 515	58 712 001
Department of Water and Sanitation	7 730 146	45 871 066
Expanded Public Works Programme	2 014 000	1 215 000
Financial Management Grant	1 700 000	1 700 000
Local Government SETA	153 112	281 989
Waterberg District Municipality	-	266 910
Electrification Grants	15 293 929	12 331 218
Department of Local Government and Housing	546 050	453 269
	<b>202 317 778</b>	<b>230 079 374</b>

#### Conditional and Unconditional

Included in above are the following grants and subsidies received:

Conditional grants received	95 180 112	124 175 899
Unconditional grants received	130 526 026	109 248 000
	<b>225 706 138</b>	<b>233 423 899</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy of 6kl of water and 50KWH of electricity which is funded from the grant..

#### EXXARO

Balance unspent at beginning of year	657 896	657 896
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Conditions still to be met - remain liabilities (see note 14).

The grant was received from EXXARO assisting municipality to build hawkers stalls.

#### Finance Management Grant

Current-year receipts	1 700 000	1 700 000
Conditions met - transferred to revenue	(1 700 000)	(1 700 000)
	-	-

Conditions have been met .

#### Municipal Infrastructure Grant

Current-year receipts	50 800 000	58 712 000
Conditions met - transferred to revenue	(44 354 521)	(58 712 000)
	<b>6 445 479</b>	-

Conditions have been met.

#### Local Government SETA

Current-year receipts	153 112	281 989
Conditions met - transferred to revenue	(153 112)	(281 989)

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>27. Government grants and subsidies (continued)</b>		
	-	-
This grant is received from local government for skills development subsidy.		
<b>Extended Public Works Programme</b>		
Current-year receipts	2 014 000	1 215 000
Conditions met - transferred to revenue	(2 014 000)	(1 215 000)
	-	-
<b>Waterberg District Municipality Grant</b>		
Current-year receipts	-	266 910
Conditions met - transferred to revenue	-	(266 910)
	-	-
Conditions has been met.		
<b>Department of Water and Sanitation</b>		
Balance unspent at beginning of year	4 128 934	19 854 919
Current-year receipts	24 500 000	50 000 000
Conditions met - transferred to revenue	(7 730 146)	(45 871 066)
Paid back to National Treasury	-	(19 854 919)
	<b>20 898 788</b>	<b>4 128 934</b>
Conditions still to be met - remain liabilities (see note 14).		
This Grant is used to fund Municipal infrastructure water Projects		
<b>Department of local government and housing</b>		
Balance unspent at beginning of year	782 826	1 207 776
Conditions met - transferred to revenue	(546 049)	(424 950)
	<b>236 777</b>	<b>782 826</b>
Conditions still to be met - remain liabilities (see note 14).		
<b>Electrification Grant</b>		
Balance unspent at beginning of year	-	331 218
Current-year receipts	16 013 000	12 000 000
Conditions met - transferred to revenue	(15 293 929)	(12 331 218)
	<b>719 071</b>	-
Conditions still to be met - remain liabilities (see note 14).		
This Grant is used for electrification projects to provide basic services for the benefits of poor household		
<b>28. Public contributions and donations</b>		
Public contributions - Unconditional	462 375	1 606 362

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>29. Employee related costs</b>		
Basic	100 478 254	93 632 124
Bonus	8 494 091	7 883 620
Medical aid - company contributions	8 630 783	7 726 447
UIF	790 651	779 311
Leave pay provision charge	6 380 065	5 818 237
Defined contribution plans	21 930 649	20 516 012
Travel, motor car, accommodation, subsistence and other allowances	10 260 185	9 396 293
Overtime payments	11 619 030	9 902 887
Standby Allowances	1 737 632	1 589 294
Housing benefits and allowances	327 618	975 887
Phone Allowances	1 186 154	1 117 451
Staff uniform	2 046 945	2 322 797
	<b>173 882 057</b>	<b>161 660 360</b>

### Remuneration of Municipal Manager

Annual Remuneration	1 108 146	1 074 910
Car Allowance	113 242	123 269
Contributions to UIF, Medical and Pension Funds	239 586	239 396
Other	(130 362)	91 183
	<b>1 330 612</b>	<b>1 528 758</b>

Mrs EM Tukakgomo contract was terminated in May 2019 and Mrs Cocquyt appointed as the Acting Municipal Manager. The acting allowance paid is R 234 765.02.

### Remuneration of Chief Finance Officer

Annual Remuneration	612 073	575 586
Car Allowance	151 332	153 340
Performance Bonuses	-	57 952
Contributions to UIF, Medical and Pension Funds	165 563	143 397
Other	41 078	119 639
	<b>970 046</b>	<b>1 049 914</b>

Mr M S Langa contract was terminated in May 2019 and Mr Mabu Manaka was appointed as Chief Financial Officer. The acting allowance paid is R 54 532.07.

### Executive Manager Strategic Support Services

Acting allowance	-	63 334
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Mrs DL Kgomo she was appointed Acting Executive Manager Strategic support services. The Acting allowance paid is R 52 624.97.

### Executive Manager Development Planning

Annual Remuneration	777 171	704 605
Car Allowance	155 873	171 368
Performance Bonuses	64 685	-
Contributions to UIF, Medical and Pension Funds	181 672	164 376
Other	17 920	74 337
	<b>1 197 321</b>	<b>1 114 686</b>

Miss BC Radipabe was appointed as Executive Manager Development Planning

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 29. Employee related costs (continued)

#### Executive Manager Corporate Services

Annual Remuneration	874 572	806 153
Car Allowance	137 237	153 754
Performance Bonuses	73 418	-
Contributions to UIF, Medical and Pension Funds	236 447	221 644
Other	104 041	65 040
	<b>1 425 715</b>	<b>1 246 591</b>

Mr M G Makgamatha was appointed as Executive Manager Corporate Support Services.

#### Executive Manager Social Services

Annual Remuneration	715 008	691 103
Car Allowance	76 824	201 847
Contributions to UIF, Medical and Pension Funds	85 990	167 535
Other	102 990	129 777
	<b>980 812</b>	<b>1 190 262</b>

Mrs MM Cocquyt is Executive Manager Social Services

#### Executive Manager Infrastructure

Annual Remuneration	-	403 018
Car Allowance	-	50 535
Contributions to UIF, Medical and Pension Funds	-	79 135
Other	-	57 386
	-	<b>590 074</b>

The position of Executive Manager Infrastructure Services is vacant and Mr R J Ngobeli is appointed as Acting Executive Manager Infrastructure. The acting allowance paid is R 174 946.63.

#### Reconciliation of Employee Related Cost

Staff	173 882 057	161 660 360
Section 54A and Section 56	5 766 403	6 783 619
	<b>179 648 460</b>	<b>168 443 979</b>

### 30. Remuneration of Councillors

Remuneration of Councillors	10 541 135	9 831 852
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The Mayor, Speaker, Chief Whip and one Executive Committee Members are fulltime. Each is provided with an office and secretarial support at the cost of the council. The Mayor has use of Council owned vehicle for official duties and has a driver.

### 31. Depreciation and amortisation

Property, plant and equipment	83 572 006	76 769 223
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# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>32. Impairment of assets</b>		
<b>Impairments</b>		
Property, plant and equipment	5 395 543	295 740
The main classes of assets affected by impairment losses are:		
- Community assets		
- Other assets		
- Infrastructure assets		
<b>33. Finance costs</b>		
Interest on external borrowings	17 028 115	17 408 397
<b>34. Debt impairment</b>		
Debt impairment	10 543 057	6 521 161
<b>35. Bulk purchases</b>		
Electricity	100 336 619	114 025 340
Water	12 033 966	11 283 103
	<b>112 370 585</b>	<b>125 308 443</b>
The Municipality is purchasing bulk water from EXXARO and ESKOM, and bulk electricity from ESKOM		
<b>36. Contracted services</b>		
Other Contracted Services	20 881 472	19 084 464
<b>37. General expenses</b>		
Advertising	270 958	355 812
Bank charges	1 753 657	1 682 704
Cleaning	8 500	20 027
Consumables	799 318	2 708 188
Entertainment	226 137	279 055
Conferences and seminars	81 022	141 846
Levies	1 884 320	1 736 850
Motor vehicle expenses	1 620	1 405
Fuel and oil	4 832 459	4 719 692
Postage and courier	835 129	535 293
Printing and stationery	640 919	960 224
Telephone and fax	1 729 066	1 710 393
Training	1 408 530	1 157 328
Travel - local	3 729 372	4 553 654
Skills Development Levy	1 601 823	1 481 069
Post Employment Medical Benefit	(3 507 015)	(703 308)
Municipal Consumption	551 647	467 175
Rental Of Office Equipment	461 117	542 759
Other expenses	24 697 707	51 871 959
	<b>42 006 286</b>	<b>74 222 125</b>

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 38. Operating lease

#### 1. ABSA

The municipality entered into a lease contract with ABSA for the lease of two SUV motor vehicles for a period of 36 months or 120 000km.

#### Details of lease contract:

Total Value of contract R1 685 034.94 (vat exclusive)

Assets leased: Mercedes GLE & BMW X 4

Monthly lease payments: R27 726.62 and R19 079.90 respectively

The municipality has paid R 686 994.23 from July 2018 to April 2019. and R 220 772.18 that was paid in May 2019 to June 2019 will be regarded as receivables.

#### 2. EDUSOLUTION BOOK SHOP CC

The municipality entered into a lease contract with EDUSOLUTION BOOK SHOP CC for lease of Photocopy Machines for period of three (3) years.

#### Minimum Vehicles lease payments due

Within one year	-	561 678
In second to third year inclusive	-	327 645
	-	<b>889 323</b>

#### Minimum Photocopy Machine lease payments due

Within one year	478 995	574 799
In second to third year inclusive	-	478 995
	<b>478 995</b>	<b>1 053 794</b>

### 39. Cash generated from operations

Surplus	36 550 807	25 745 461
<b>Adjustments for:</b>		
Depreciation and amortisation	83 572 006	76 769 223
Fair value adjustments	13 521 285	2 063
Impairment deficit	5 395 543	295 740
Debt impairment	10 543 057	9 396 911
Movements in provisions	(23 577 747)	8 457 954
<b>Changes in working capital:</b>		
Inventories	(239 307)	168 369
Consumer debtors	(21 986 424)	(3 950 215)
Other receivables from non-exchange transactions	-	(2 934 841)
Payables from exchange transactions	(38 068 207)	11 281 167
VAT	1 861 981	(3 953 132)
Unspent conditional grants and receipts	23 388 355	25 364 278
Consumer deposits	(523 260)	533 615
	<b>90 438 089</b>	<b>147 176 593</b>



# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>40. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure	34 930 565	41 361 068
• Community	1 628 348	1 226 802
• Other	420 142	1 757 615
	<b>36 979 055</b>	<b>44 345 485</b>
<b>Not yet contracted for and authorised by accounting officers</b>		
• Infrastructure	6 885 248	5 941 140
• Community	5 160 000	5 368 590
• Other	3 656 101	241 996
	<b>15 701 349</b>	<b>11 551 726</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	36 979 055	44 345 485
Not yet contracted for and authorised by accounting officers	15 701 349	11 551 726
	<b>52 680 404</b>	<b>55 897 211</b>
<b>Authorised operational expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Community	20 992 161	1 892 521
• Other	14 179 801	-
• Infrastructure	20 658 695	-
	<b>55 830 657</b>	<b>1 892 521</b>
<b>Total commitments</b>		
Authorised capital expenditure	52 680 404	55 897 211
Authorised operational expenditure	55 830 657	1 892 521
	<b>108 511 061</b>	<b>57 789 732</b>

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

2019

2018

### 41. Contingencies

#### CONTINGENT LIABILITIES

The Legal Claims listed are those that have arisen in the normal course of business and represent the possible amounts that could be awarded should the claims prove successful. The amounts have been based on the attorney's best estimates of the possible amount payable. Amount have not been provided in certain cases as the court has not yet determined a value. The claims are divided in the under mentioned groups .

##### 1. K P PAUL AND E PAUL

K P Paul and E Paul are suing the municipality for damages of R228 000. They claim they suffered loss due to the Municipality not supply them with electricity due to infrastructure capacity constraints. The matter has been postponed indefinitely to allow the Attorneys of Council to amend its plea as new facts arose after the plea was filed. The estimated legal cost and disbursement is R631 579.49.

##### 2. RHINE VHANE CIVIL CONSTRUCTION CC & JOHAN FERDINARD BARNARD

The municipality sold stands in Extension 50 for R1.00 per square meter around 2005, then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchaser Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.

Rhine Vhane Civil Construction as one of the purchasers which developed in the area are claiming R12 872 365.42 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R300 000

##### 3. JOHAN FERDINARD BARNARD

The municipality sold stands in Extension 50 for R1.00 per square meter around 2005, then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.

Johan Ferdinand Barnard as one of the purchasers which developed in the area are claiming R5 451 255.72 as unjust enrichment.

The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R300 000

##### 4. EDWARD JAMES DANIEL DE VILLIERS

The municipality sold stands in Extension 50 for R1 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.

Edward James Daniel De Villiers as one of the purchasers which developed in the area are claiming R2 774 200 and R19 808 774 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R49 961 429.32.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 41. Contingencies (continued)

#### 5. CHRISTAAN LOURENS ERASMUS

The municipality sold stands in Extension 50 for R1 per square meter around 2005. Then Council realised that there were some procedural flaws when the stands were sold and decided not to proceed with the sale. One of the purchasers Nightfire Investments challenged the council decision and took council to court. The court declared the agreement null and void and the land reverted back to council.

Christiaan Lourens Erasmus as one of the purchasers which developed in the area are claiming R8 899 716 as unjust enrichment. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R18 537 511.29.

#### 6. INVESTIGATION OF CONTRAVENTION OF THE ENVIRONMENTAL MANAGEMENT ACT BY CERTAIN INDIVIDUAL FOR THE MUNICIPALITY

Warrant of search executed against the Municipality. Council working further investigating the matter in this regard. Legal costs are estimated R 942 251 .08

#### 7. FRENCH RURAL DEVELOPMENT.

Our Instruction are to rescind default judgement granted against our client and defend the action. we filled application for rescission which is opposed and parties are now trying to settle the matter. Legal costs are estimated to R 34 729 050.00

#### 8. MAHLAKA ANDRIES MASHILO

Mahlaka Andries Mashilo issued summons in the Magistrate Court of Lephalale for general and medical damages to the amount of R 199 400 as a result of an alleged pain and sufferings caused by Councillor Selokela and Walter Lefawane. The plaintiff joined the Municipality in the proceeding because he alleges that when the fight erupted amongst him and Councillor Selokela and Walter Lefawane, they were acting within the scope of their employment duties as employees of the municipality and therefore the municipality must be held vicariously liable for the alleged actions of the employees.

Legal costs are estimated R 227 714.74.

#### 9. MMALEREPO INVESTMENT

Mmalerepo Investments was one of the service providers that were appointed by the municipality on an as and when required basis for the repair and maintenance of municipal sewer pumps. They were then never given any order with regard to their appointment. They as a result of that issued summons against the municipality in the polokwane high court in the amount of R 8 500 000. Legal cost are estimated R 9 869 454.80.

#### 10. BIG TIME STRATEGIC CONSULTANTS

Lephalale Municipality conducted a forensic investigation through PWC and such forensic report was submitted to the Municipality around March 2016. The report revealed that the Big Time, the company which was appointed to do IT infrastructure review and readiness for the implementation SCOA, was not appointed according to the prescribed methods of appointing service providers and further they did not even finish their scope of work according.

The report then recommended that a legal action be taken to recover the amount spent on paying Big Time as their payment was irregular. Mohale attorneys were then appointed to institute a legal action against the parties responsible for the irregular expenditure. Summons were issued in the High Court for the amount owed in terms of the contract and default judgement in the amount of R2 800 000 was obtained. the Municipality's attorneys of records executed the judgement by attaching the properties of Big Time but unfortunately the attached properties were not enough to cover the outstanding capital amount and the costs of recovery.

### Contingent Assets

#### 1. LEPHALALE VS BLUE HORIZON INVESTMENT

Details of the case: Around 2008 the municipality entered into a service level agreement with Blue Horizon Investments whereby the Municipality undertook to provide bulk services to extension 97 whereby Blue Horizon was the owner/developer of the said extension. In exchange for the services, Blue Horizon was to contribute about R9 800 000 towards bulk services, which to date they have failed to pay. Despite the demand by the municipality, Blue Horizon Investments has failed/refused to pay. Council appointed an attorney to claim the money on its behalf. The matter is at pleading stage and the parties are currently negotiating settlement. Legal costs are estimated at R1 000 000.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 42. Related parties

#### Relationships

Accounting Officers

MM Cocquyt

Waterberg District Municipality

Members of key management

#### Councillors Remuneration

	SALARY	CELLPHONE	TRAVELLIN G	TRAVELLIN G SUB	TOTAL PAID
Clr. MJ Maeko - Mayor	644 603	44 400	214 868	-	903 871
Clr. KR Molokomme - Speaker	515 681	44 400	171 894	20 929	752 904
Clr. WM Motlokwa - Exec Member	483 452	44 400	161 151	110 617	799 620
Clr. A Thulare - Chief Whip	483 452	44 400	161 151	6 245	695 248
Clr. ML Shongwe - Exec Member	269 703	44 400	89 901	39 909	443 913
Clr. AE Basson- Exec Member	269 703	44 400	89 901	-	404 004
Clr. MM Semanya - Exec Member	269 703	44 400	89 901	73 125	477 129
Clr. MJ Marakalala - Chairperson MPAC	261 791	44 400	87 264	17 833	411 288
Clr. NJ Motebele - Chairperson EC	261 791	44 400	87 264	-	393 455
Clr. LF Monare - Chairperson SETC	261 791	44 400	87 264	11 924	405 379
Clr. LS Manamela	203 993	44 400	67 998	-	316 390
Clr. P Molekwa	203 993	44 400	67 998	45 529	361 920
Clr. ME Maisela	261 791	44 400	87 264	71 545	465 000
Clr. MJ Selokela	261 791	44 400	87 264	9 418	402 873
Clr. SM Niewoudt	203 993	44 400	67 998	-	316 390
Clr. RT Modise	203 993	44 400	67 998	63 471	379 861
Clr. R Maropeng	203 993	44 400	67 998	-	316 390
Clr. NH Pienaar	203 993	44 400	67 998	-	316 390
Clr. SL Seabi	203 993	44 400	67 998	51 452	367 842
Clr. Mogohloana	203 993	44 400	67 998	5 639	322 029
Clr. MM Makgae	203 993	44 400	67 998	26 819	343 289
Clr. MF Mashita	203 993	44 400	67 998	5 198	321 588
Clr. MR Modiba	203 993	44 400	67 998	5 047	321 437
Clr. RM Mabasa	203 993	44 400	67 998	20 054	336 444
Clr. MM Madibana	203 993	44 400	67 998	22 808	339 198
Clr. SJ Moselane	103 565	17 741	34 522	2 383	158 211
Clr. Mbedzi	50 998	11 100	16 999	2 527	81 624
Subtotal	7 051 724	1 138 841	2 350 582	612 472	11 153 687
	<b>7 051 724</b>	<b>1 138 841</b>	<b>2 350 582</b>	<b>612 472</b>	<b>11 153 687</b>

#### Related party balances

##### Amounts included in Trade receivable (Trade Payable) regarding related parties

Waterberg District Municipality	3 872	-
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#### Related party transactions

##### Services Related to Parties

Waterberg District Municipality	10 104	-
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### 43. Prior period errors

During the prior year, accounting errors were made with respect to:

- It was discovered that the balance of the estimated water and electricity usage was erroneously overstated as a result of failing to reverse the estimated figure for the prior and therefore resulted in double counting of estimates.

- The Municipality has since the inception of selling prepaid electricity to the consumers not raised creditors for the amount of prepaid electricity that was not used at the end of the financial year.

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 43. Prior period errors (continued)

- The municipality acquired a landfill site in the prior year which raised an obligation as per GRAP 17 to provide for the closure of the site. The municipality incorrectly expensed the provision instead of capitalising it. The capitalisation of the provision requires unwinding of the interest at the end of the financial year as the figure is discounted to the PV of estimated future cost. Due to the asset arising it has to be depreciated over its useful life.

- Exxaro donated 12.4 hectares of land. The municipality incorrectly recorded the donation at cost instead of FV resulting in an understatement of the land as at 7 November 2017.

- We identified assets with carrying amount of R1 and less, the result is an increase in asset carrying amounts and increase in accumulated depreciation.

- Assets which were impaired but depreciation was incorrectly calculated for resulting in an overstatement of depreciation and accumulated depreciation.

The correction of the error(s) results in adjustments as follows:

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>43. Prior period errors (continued)</b>		
<b>Heading</b>		
<b>Heading</b>		
<b>Receivables from exchange transactions</b>		
Decrease in the opening balance of Accumulated surplus	-	15 689 336
Decrease in debtors - Water	-	(2 723 027)
Decrease in debtors - Electricity	-	(11 876 655)
Decrease in revenue - Water	-	134 964
Increase in revenue - Electricity	-	(1 224 618)
	-	-
<b>Payables from exchange transactions</b>		
Decrease in the opening balance of Accumulated Surplus	-	1 019 363
Increase in debtors with credit balances	-	(1 481 394)
Decrease in Revenue for 2017 - 2018	-	462 031
	-	-
<b>Heading</b>		
<b>Heading</b>		
<b>Provision for rehabilitation of landfill site</b>		
Decrease in General expenses	-	(22 248 874)
Decrease in rehabilitation provision	-	4 628 319
Increase in Assets due to landfill site provision	-	17 276 745
Increase in Finance cost	-	343 810
Decrease in Accumulated surplus	-	177 197
Increase in Accumulated depreciation	-	(177 197)
	-	-
<b>Revaluation of landfill site obtained as a donation</b>		
Increase in Accumulated surplus	-	(143 845)
Increase in assets	-	143 845
	-	-
<b>Change in carrying amount of assets due to re-assessment of carrying amount as at 1 July 2017</b>		
Increase in Carrying amount	-	40 337
Decrease in Accumulated depreciation	-	(40 337)
	-	-
<b>Depreciation incorrectly calculated for assets impaired in the prior year resulting in reversal of depreciation</b>		
Increase in accumulated surplus	-	(78 601)
Increase in accumulated depreciation	-	78 601
	-	-

## 44. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>45. Unauthorised expenditure</b>		
Unauthorised expenditure	19 272 824	26 073 452
Incurred during the year	-	19 272 824
Written off by Council	(19 272 824)	(26 073 452)
	<b>-</b>	<b>19 272 824</b>

## 46. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	2 030 032	905 403
Incurred during the year	943 897	1 124 629
Written off by Council	(1 124 629)	-
	<b>1 849 300</b>	<b>2 030 032</b>

Due to Eskom payment which was paid after 30 days.

## 47. Irregular expenditure

Opening balance	236 361 096	178 054 790
Correction of prior period error	-	49 414 179
Less: Amounts written off	(58 306 275)	-
Add: Irregular expenditure current	55 638 967	8 892 096
	<b>233 693 788</b>	<b>236 361 065</b>

### Amount written-off

After the council committee investigations, Council adopted the Council Committee recommendation to write-off an amount of R 58 306 275 from the total irregular amount as it was proven without reasonable doubt that the amount was not recoverable,

### Cases Under Investigations

Investigations are still in progress regarding R 55 638 967 which are all related to non-compliance with procurement process requirements.

## 48. Additional disclosure in terms of Municipal Finance Management Act

### Contributions to SALGA

Current year subscription / fee	1 884 320	1 736 850
Amount paid - current year	(1 884 320)	(1 736 850)
	<b>-</b>	<b>-</b>

### Audit fees

Current year Audit fees	4 516 919	4 049 508
Amount paid - current year	(4 516 919)	(4 049 508)
	<b>-</b>	<b>-</b>

### PAYE and UIF

Current year PAYE / UIF	31 343 176	26 637 800
Amount paid - current year	(31 343 176)	(26 637 800)
	<b>-</b>	<b>-</b>

# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 48. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Pension and Medical Aid Deductions

Current year Pension / Medical Aid	47 656 866	44 050 641
Amount paid - current year	(47 656 866)	(44 050 641)
	-	-

#### VAT

VAT payable	13 875 048	12 013 067
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VAT output payables and VAT input receivables are shown in note 18.

All VAT returns have been submitted by the due date throughout the year.

#### Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 30 days at 30 June 2019

#### Supply chain management regulations

#### Declaration of Interest

#### Deviation.

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The accounting officer has approved the deviations amounting to R 2 049 270.79.

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

#### Incident

Deviations	2 049 271	16 474 831
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### 49. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	2 511 596	3 015 135
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Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

### 50. Distribution Losses

**Water losses** - The Municipality's water losses for 2019 and 2018 are 29.64% and 29.34% respectively. The losses are due to illegal connections in Marapong Township and the asbestos pipe in the network which breaks. The Municipality is in the process of replacing asbestos pipes and addressing the illegal connections in Marapong.



# LEPHALALE LOCAL MUNICIPALITY

(Registration number LIM362)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
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### 50. Distribution Losses (continued)

#### Water Losses

Units Purchased (kl)	6 571 513	6 543 502
Units Sold (kl)	4 477 292	4 526 488
Average Cost Per Unit Purchased (cents per kl)	1.83	1.72
Net loss	2 041 856	2 016 133
% Loss of Water	29.64%	29.34%

**Electricity losses** - The Municipality's electricity gain for 2019 is 10.68% and loss for 2018 was 4.81%. The Municipality has installed electricity smart meters in order to reduce losses.

#### Electricity losses

Units Purchased (kw/h)	101 628 108	122 265 864
Units Sold (kw/h)	110 657 935	116 385 866
Average Cost Per Unit Purchased (cents per kw/h)	R 0.98	R 0.92
Net Gain/( loss)	9 029 827	(5 879 998)
%Gain/( Loss) of Electricity	10.68%	( 4.81%)

### 51. Budget differences

#### Material differences between budget and actual amounts

- A1 - Service Charges - Due to the annual increase in tariffs
- A2 - Rental of facilities & equipment - There were less external activities at the municipal facilities than anticipated.
- A3 - Interest received (trading) - Due to low new development undertaken during financial year under review.
- A4 - Licences & permits - Less people renewed licences at the Municipality.
- A5 - Building Fees - Is within the norm.
- A6 - Other income - Due to misallocation of VAT on conditional grants and revenue on own funding projects.
- A7- Interest received (investment) - Due to additional funding received on the grants and subsidies
- A8 - Property rates - Due to the supplementary valuation that took place during the year and annual tariff increase.
- A9 - Government grants & subsidies -Due to additional funding received on the grants and subsidies .
- A10 - Public contributions & Donations - Is within the norm.
- A11 - Fines, Penalties & Forfeits - Due to the accrual of traffic fines issued
- A12 - Personnel - Due to Vacant position not filled.
- A13 - Depreciation & amortisation - Due to Capitalisation of completed assets.
- A14 - Finance costs - Due to re-calculation of smart meters .
- A15 - Debt Impairment - Due to impairment of debtors which is done at the financial year.
- A16 - Collection costs - The new service provider appointed.
- A17 - Repairs & maintenance - infrastructure refurbishment.
- A18 - Bulk purchases - Low consumer consumption.
- A19 - Contracted services - Legal fees.
- A20 - Transfers & Subsidies - Due non-functional NGO's funded by the municipality
- A21 - General Expenses - Implementation of cost containment circular.



**LEPHALALE LOCAL MUNICIPALITY**  
**Appendix A**

**Schedule of external loans as at 30 June 2019**

Loan Number	Redeemable	Balance at 30 June 2018	Received during the period	Redeemed written off during the period	Balance at 30 June 2019	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		

**DBSA**

DBSA	1	31/03/2023	3 015 134	-	503 538	2 511 596	-	-
			<b>3 015 134</b>	<b>-</b>	<b>503 538</b>	<b>2 511 596</b>	<b>-</b>	<b>-</b>

**Lease Liabilities**

Finance lease liabilities	1	27/06/2027	80 195 646	-	6 710 452	73 485 194	-	-
			<b>80 195 646</b>	<b>-</b>	<b>6 710 452</b>	<b>73 485 194</b>	<b>-</b>	<b>-</b>
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-

**Total external loans**

DBSA			3 015 134	-	503 538	2 511 596	-	-
Lease Liabilities			80 195 646	-	6 710 452	73 485 194	-	-
Funding facility			-	-	-	-	-	-
Development Bank of South Africa			-	-	-	-	-	-
Bonds			-	-	-	-	-	-
Other loans			-	-	-	-	-	-
Lease liability			-	-	-	-	-	-
Annuity loans			-	-	-	-	-	-
Government loans			-	-	-	-	-	-

**LEPHALALE LOCAL MUNICIPALITY**  
**Appendix A**

**Schedule of external loans as at 30 June 2019**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2018</b>	<b>Received during the period</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2019</b>	<b>Carrying Value of Property, Plant &amp; Equip Rand</b>	<b>Other Costs in accordance with the MFMA Rand</b>
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>		
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		<b>83 210 780</b>	<b>-</b>	<b>7 213 990</b>	<b>75 996 790</b>	<b>-</b>	<b>-</b>

**LEPHALALE LOCAL MUNICIPALITY**  
**LEPHALALE LOCAL MUNICIPALITY**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2019**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	70 972 003	-	-	-	-	-	70 972 003	-	-	-	-	-	-	70 972 003
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings ( Office Buildings Separate for AFS purposes)	25 962 432	-	-	-	-	-	25 962 432	(14 067 257)	-	-	(813 905)	-	(14 881 162)	11 081 270
	<b>96 934 435</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>96 934 435</b>	<b>(14 067 257)</b>	<b>-</b>	<b>-</b>	<b>(813 905)</b>	<b>-</b>	<b>(14 881 162)</b>	<b>82 053 273</b>
<b>Infrastructure</b>														
Roads	576 760 574	48 379 876	-	-	-	-	625 140 450	(216 346 629)	-	-	(29 622 656)	(1 643 106)	(247 612 391)	377 528 059
Storm water	30 119 840	-	-	-	-	-	30 119 840	(4 940 172)	-	-	(583 826)	-	(5 523 998)	24 595 842
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	746 781 850	22 949 301	-	-	-	-	769 731 151	(215 581 146)	-	-	(30 198 245)	(1 037 361)	(246 816 752)	522 914 399
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Reticulation	196 595 358	-	-	-	-	-	196 595 358	(95 921 473)	-	-	(5 559 967)	(443 227)	(101 924 667)	94 670 691
Sewerage	138 377	-	-	-	-	-	138 377	(56 389 115)	-	-	(7 449 555)	(414 400)	(64 253 070)	76 009 354
Transportation	13 956 179	-	-	-	-	-	13 956 179	(4 369 785)	-	-	(915 204)	-	(5 284 989)	8 671 190
Fencing	91 581	-	-	-	-	-	91 581	(74 572)	-	-	(1 198)	(1 152)	(76 922)	14 659
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings ( Non admin Buildings)	1 039 843	-	-	-	-	-	1 039 843	(534 913)	-	-	(25 463)	-	(560 376)	479 467
Other (fibre optic, WIFI infrastrucutr)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1 565 483 602</b>	<b>71 329 177</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 636 812 779</b>	<b>(594 157 805)</b>	<b>-</b>	<b>-</b>	<b>(74 356 114)</b>	<b>(3 539 246)</b>	<b>(672 053 165)</b>	<b>1 104 883 661</b>
<b>Community Assets</b>														
Parks & gardens	8 583 269	-	-	-	-	-	8 583 269	(1 812 017)	-	-	(313 036)	-	(2 125 053)	6 458 216
Sportsfields and stadium	37 220 099	-	-	-	-	-	37 220 099	(3 031 051)	-	-	(1 387 096)	-	(4 418 147)	32 801 952
Electricity	833 246	-	-	-	-	-	833 246	(120 047)	-	-	(32 791)	-	(152 838)	680 408
Water	1 791 327	-	-	-	-	-	1 791 327	(12 564)	-	-	(35 826)	-	(48 390)	1 742 937
Libraries	10 385 451	-	-	-	-	-	10 385 451	(3 883 713)	-	-	(346 315)	-	(4 230 028)	6 155 423
Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	2 051 129	-	-	-	-	-	2 051 129	(1 634 855)	-	-	(36 411)	-	(1 671 266)	379 863
Land and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation	8 882	-	-	-	-	-	8 882	(709)	-	-	(222)	-	(931)	7 951
Cemeteries	189 630	-	-	-	-	-	189 630	(121 417)	-	-	(6 343)	-	(127 760)	61 870
Community Assets	47 187 397	-	-	-	-	-	47 187 397	(6 386 664)	-	-	(1 554 543)	-	(7 941 207)	39 246 190
Community Centers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi Rank	760 472	-	-	-	-	-	760 472	(488 827)	-	-	(20 425)	-	(509 252)	251 220
Public Landfill Site	5 165 352	-	-	-	-	-	5 165 352	(463 787)	-	-	(203 874)	-	(667 661)	4 497 691
	<b>114 176 254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>114 176 254</b>	<b>(17 955 651)</b>	<b>-</b>	<b>-</b>	<b>(3 936 882)</b>	<b>-</b>	<b>(21 892 533)</b>	<b>92 283 721</b>

**LEPHALALE LOCAL MUNICIPALITY**  
**LEPHALALE LOCAL MUNICIPALITY**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2019**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
	<b>77 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77 000</b>
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>														
Motor vehicles	51 348 737	-	-	-	-	-	51 348 737	(30 305 271)	-	-	(2 238 647)	(1 152 630)	(33 696 548)	17 652 189
Plant & equipment	4 667 584	-	-	-	-	-	4 667 584	(2 583 957)	-	-	(290 257)	(108 642)	(2 982 856)	1 684 728
Computer Equipment	7 293 624	139 104	-	-	-	-	7 432 728	(3 828 420)	-	-	(571 253)	(219 800)	(4 619 473)	2 813 255
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	8 027 297	88 700	-	-	-	-	8 115 997	(5 378 720)	-	-	(649 641)	(141 508)	(6 169 869)	1 946 128
Office Equipment	3 760 782	-	-	-	-	-	3 760 782	(2 706 415)	-	-	(176 219)	(54 939)	(2 937 573)	823 209
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	3 588 349	-	-	-	-	-	3 588 349	(1 263 924)	-	-	(213 016)	(186 779)	(1 663 719)	1 924 630
Work in progress	161 121 385	37 587 714	-	(71 329 177)	-	-	127 379 922	-	-	-	-	-	-	127 379 922
Books	2 273 590	-	-	-	-	-	2 273 590	(1 868 583)	-	-	(45 707)	-	(1 914 290)	359 300
Other Assets - Leased (Smart Meters)	32 126 774	329 034	-	-	-	-	32 455 808	(5 129 087)	-	-	(1 291 936)	-	(6 421 023)	26 034 785
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>274 208 122</b>	<b>38 144 552</b>	<b>-</b>	<b>(71 329 177)</b>	<b>-</b>	<b>-</b>	<b>241 023 497</b>	<b>(53 064 377)</b>	<b>-</b>	<b>-</b>	<b>(5 476 676)</b>	<b>(1 864 298)</b>	<b>(60 405 351)</b>	<b>180 618 146</b>

**LEPHALALE LOCAL MUNICIPALITY**  
**LEPHALALE LOCAL MUNICIPALITY**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2019	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions  Rand	Disposals  Rand	Transfers  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Transfers  Rand	Depreciation  Rand	Impairment loss  Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	96 934 435	-	-	-	-	-	96 934 435	(14 067 257)	-	-	(813 905)	-	(14 881 162)	82 053 273
Infrastructure	1 565 483 602	71 329 177	-	-	-	-	1 636 812 779	(594 157 805)	-	-	(74 356 114)	(3 539 246)	(672 053 165)	1 104 883 661
Community Assets	114 176 254	-	-	-	-	-	114 176 254	(17 955 651)	-	-	(3 936 882)	-	(21 892 533)	92 283 721
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	274 208 122	38 144 552	-	(71 329 177)	-	-	241 023 497	(53 064 377)	-	-	(5 476 676)	(1 864 298)	(60 405 351)	180 618 146
	2 050 879 413	109 473 729	-	(71 329 177)	-	-	2 089 023 965	(679 245 090)	-	-	(84 583 577)	(5 403 544)	(769 232 211)	1 459 915 801
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	1 562 877	699 883	-	-	-	-	2 262 760	(705 245)	-	-	(222 100)	-	(927 345)	1 335 415
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 562 877	699 883	-	-	-	-	2 262 760	(705 245)	-	-	(222 100)	-	(927 345)	1 335 415
<b>Investment properties</b>														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>														
Land and buildings	96 934 435	-	-	-	-	-	96 934 435	(14 067 257)	-	-	(813 905)	-	(14 881 162)	82 053 273
Infrastructure	1 565 483 602	71 329 177	-	-	-	-	1 636 812 779	(594 157 805)	-	-	(74 356 114)	(3 539 246)	(672 053 165)	1 104 883 661
Community Assets	114 176 254	-	-	-	-	-	114 176 254	(17 955 651)	-	-	(3 936 882)	-	(21 892 533)	92 283 721
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	274 208 122	38 144 552	-	(71 329 177)	-	-	241 023 497	(53 064 377)	-	-	(5 476 676)	(1 864 298)	(60 405 351)	180 618 146
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1 562 877	699 883	-	-	-	-	2 262 760	(705 245)	-	-	(222 100)	-	(927 345)	1 335 415
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 052 442 290	110 173 612	-	(71 329 177)	-	-	2 091 286 725	(679 950 335)	-	-	(84 805 677)	(5 403 544)	(770 159 556)	1 461 251 216

**LEPHALALE LOCAL MUNICIPALITY**  
**LEPHALALE LOCAL MUNICIPALITY**  
**Appendix B**

**Analysis of property, plant and equipment as at 30 June 2018**  
**Cost/Revaluation** **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Land and buildings</b>														
Land (Separate for AFS purposes)	70 673 158	155 000	-	-	-	-	70 828 158	-	-	-	-	-	-	70 828 158
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings ( Office Building Separate for AFS purposes)	25 271 508	-	-	690 924	-	-	25 962 432	(13 388 663)	-	-	(679 278)	-	(14 067 941)	11 894 491
	<b>95 944 666</b>	<b>155 000</b>	<b>-</b>	<b>690 924</b>	<b>-</b>	<b>-</b>	<b>96 790 590</b>	<b>(13 388 663)</b>	<b>-</b>	<b>-</b>	<b>(679 278)</b>	<b>-</b>	<b>(14 067 941)</b>	<b>82 722 649</b>
<b>Infrastructure</b>														
Roads	573 650 155	-	-	3 110 418	-	-	576 760 573	(189 462 796)	-	-	(26 883 833)	-	(216 346 629)	360 413 944
Storm water	30 119 840	-	-	-	-	-	30 119 840	(4 318 551)	-	-	(621 621)	-	(4 940 172)	25 179 668
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Water	708 631 544	-	-	38 150 307	-	-	746 781 851	(192 293 413)	-	-	(24 781 370)	(67 139)	(217 141 922)	529 639 929
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electricity Reticulation	196 262 700	-	-	332 659	-	-	196 595 359	(87 916 216)	-	-	(7 988 030)	(20 547)	(95 924 793)	100 670 566
Sewerage	138 377 326	-	-	-	-	-	138 377 326	(50 491 069)	-	-	(5 732 450)	(204 302)	(56 427 821)	81 949 505
Transportation	13 956 179	-	-	-	-	-	13 956 179	(3 444 302)	-	-	(925 502)	-	(4 369 804)	9 586 375
Fencing	91 581	-	-	-	-	-	91 581	(82 990)	-	-	(965)	-	(83 955)	7 626
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings ( Non admin Buildings)	1 039 843	-	-	-	-	-	1 039 843	(513 276)	-	-	(21 637)	-	(534 913)	504 930
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other ( Land and Buildings)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>1 662 129 168</b>	<b>-</b>	<b>-</b>	<b>41 593 384</b>	<b>-</b>	<b>-</b>	<b>1 703 722 552</b>	<b>(528 522 613)</b>	<b>-</b>	<b>-</b>	<b>(66 955 408)</b>	<b>(291 988)</b>	<b>(595 770 009)</b>	<b>1 107 952 543</b>
<b>Community Assets</b>														
Parks & gardens	8 583 269	-	-	-	-	-	8 583 269	(1 460 058)	-	-	(351 959)	-	(1 812 017)	6 771 252
Sportsfields and stadium	11 181 911	-	-	26 038 188	-	-	37 220 099	(2 106 332)	-	-	(897 606)	(90)	(3 004 028)	34 216 071
Electricity	833 246	-	-	-	-	-	833 246	(86 759)	-	-	(33 287)	-	(120 046)	713 200
Water	-	-	-	1 791 327	-	-	1 791 327	-	-	-	(11 975)	-	(11 975)	1 779 352
Libraries	10 385 451	-	-	-	-	-	10 385 451	(3 565 444)	-	-	(352 595)	-	(3 918 039)	6 467 412
Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	2 051 129	-	-	-	-	-	2 051 129	(1 599 410)	-	-	(35 445)	-	(1 634 855)	416 274
Land and Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sanitation	8 882	-	-	-	-	-	8 882	(487)	-	-	(222)	-	(709)	8 173
Cemeteries	189 630	-	-	-	-	-	189 630	(115 666)	-	-	(5 752)	-	(121 418)	68 212
Community Assets	28 103 555	-	-	1 807 097	-	-	29 910 652	(5 180 035)	-	-	(1 034 779)	-	(6 214 814)	23 695 838
Community Centres	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxi Rank	760 472	-	-	-	-	-	760 472	(475 570)	-	-	(13 258)	-	(488 828)	271 644
Publi Landfill site	5 165 352	-	-	-	-	-	5 165 352	(244 637)	-	-	(219 150)	-	(463 787)	4 701 565
	<b>67 262 897</b>	<b>-</b>	<b>-</b>	<b>29 636 612</b>	<b>-</b>	<b>-</b>	<b>96 899 509</b>	<b>(14 834 398)</b>	<b>-</b>	<b>-</b>	<b>(2 956 028)</b>	<b>(90)</b>	<b>(17 790 516)</b>	<b>79 108 993</b>



**LEPHALALE LOCAL MUNICIPALITY**  
**LEPHALALE LOCAL MUNICIPALITY**  
**Appendix B**

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
<b>Heritage assets</b>														
Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
	<b>77 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77 000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>77 000</b>
<b>Specialised vehicles</b>														
Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other assets</b>														
Motor vehicles	38 338 537	-	-	-	-	-	38 338 537	(20 424 202)	-	-	(1 344 947)	-	(21 769 149)	16 569 388
Plant & equipment	17 103 437	-	-	574 347	-	-	17 677 784	(10 384 628)	-	-	(735 531)	-	(11 120 159)	6 557 625
Computer Equipment	5 824 085	1 316 565	-	139 946	-	-	7 280 596	(3 070 197)	-	-	(773 929)	(3 662)	(3 847 788)	3 432 808
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	8 033 995	-	-	-	-	-	8 033 995	(4 786 875)	-	-	(598 028)	-	(5 384 903)	2 649 092
Office Equipment	3 760 782	-	-	-	-	-	3 760 782	(2 460 323)	-	-	(252 370)	-	(2 712 693)	1 048 089
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	3 588 349	-	-	-	-	-	3 588 349	(1 019 110)	-	-	(244 814)	-	(1 263 924)	2 324 425
Work in progress	124 960 414	110 141 738	-	(73 980 767)	-	-	161 121 385	-	-	-	-	-	-	161 121 385
Books	2 273 590	-	-	-	-	-	2 273 590	(1 747 443)	-	-	(121 140)	-	(1 868 583)	405 007
Other Assets - Leased ( Smart Meters)	32 064 302	62 472	-	-	-	-	32 126 774	(3 844 910)	-	-	(1 284 176)	-	(5 129 086)	26 997 688
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>235 947 491</b>	<b>111 520 775</b>	<b>-</b>	<b>(73 266 474)</b>	<b>-</b>	<b>-</b>	<b>274 201 792</b>	<b>(47 737 688)</b>	<b>-</b>	<b>-</b>	<b>(5 354 935)</b>	<b>(3 662)</b>	<b>(53 096 285)</b>	<b>221 105 507</b>

**LEPHALALE LOCAL MUNICIPALITY**  
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**Appendix B**

Analysis of property, plant and equipment as at 30 June 2018	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions  Rand	Disposals  Rand	Transfers  Rand	Revaluations  Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals  Rand	Transfers  Rand	Depreciation  Rand	Impairment loss  Rand	Closing Balance Rand	Carrying value Rand
<b>Total property plant and equipment</b>														
Land and buildings	95 944 666	155 000	-	690 924	-	-	96 790 590	(13 388 663)	-	-	(679 278)	-	(14 067 941)	82 722 649
Infrastructure	1 662 129 168	-	-	41 593 384	-	-	1 703 722 552	(528 522 613)	-	-	(66 955 408)	(291 988)	(595 770 009)	1 107 952 543
Community Assets	67 262 897	-	-	29 636 612	-	-	96 899 509	(14 834 398)	-	-	(2 956 028)	(90)	(17 790 516)	79 108 993
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	235 947 491	111 520 775	-	(73 266 474)	-	-	274 201 792	(47 737 688)	-	-	(5 354 935)	(3 662)	(53 096 285)	221 105 507
	2 061 361 222	111 675 775	-	(1 345 554)	-	-	2 171 691 443	(604 483 362)	-	-	(75 945 649)	(295 740)	(680 724 751)	1 490 966 692
<b>Agricultural/Biological assets</b>														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Intangible assets</b>														
Computers - software & programming	1 025 018	537 859	-	-	-	-	1 562 877	(526 605)	-	-	(178 640)	-	(705 245)	857 632
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	1 025 018	537 859	-	-	-	-	1 562 877	(526 605)	-	-	(178 640)	-	(705 245)	857 632
<b>Investment properties</b>														
Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>														
Land and buildings	95 944 666	155 000	-	690 924	-	-	96 790 590	(13 388 663)	-	-	(679 278)	-	(14 067 941)	82 722 649
Infrastructure	1 662 129 168	-	-	41 593 384	-	-	1 703 722 552	(528 522 613)	-	-	(66 955 408)	(291 988)	(595 770 009)	1 107 952 543
Community Assets	67 262 897	-	-	29 636 612	-	-	96 899 509	(14 834 398)	-	-	(2 956 028)	(90)	(17 790 516)	79 108 993
Heritage assets	77 000	-	-	-	-	-	77 000	-	-	-	-	-	-	77 000
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	235 947 491	111 520 775	-	(73 266 474)	-	-	274 201 792	(47 737 688)	-	-	(5 354 935)	(3 662)	(53 096 285)	221 105 507
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1 025 018	537 859	-	-	-	-	1 562 877	(526 605)	-	-	(178 640)	-	(705 245)	857 632
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2 062 386 240	112 213 634	-	(1 345 554)	-	-	2 173 254 320	(605 009 967)	-	-	(76 124 289)	(295 740)	(681 429 996)	1 491 824 324